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UNCLAS SECTION 01 OF 05 ROME 001601

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FROM FODAG

STATE FOR IO/S LISA JACOBSON AND IO/EDA WINNICK AND KOTOK  
USDA/FAS FOR REICH AND HUGHES  
ATHENS FOR CLEVERLEY

E.O. 12958: N/A

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SUBJECT: FAO 102ND FINANCE COMMITTEE PREVIEW

[1](#)1. THIS IS AN ACTION REQUEST.

[1](#)2. SUMMARY. THE 102ND SESSION OF THE UN FOOD AND  
AGRICULTURE ORGANIZATION (FAO) FINANCE COMMITTEE WILL  
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MEET MAY 5-9, 2003. IMPORTANT ACTION ITEMS FOR THE U.S.  
INCLUDE: REPORT ON FOLLOW-UP TO THE EXTERNAL AUDITOR'S  
RECOMMENDATIONS; A PROPOSAL FOR A SPLIT CURRENCY  
ASSESSMENT; THE PROGRAM OF WORK AND BUDGET FOR 2004-2005  
AND A PROPOSAL TO CHANGE THE METHODOLOGY FOR DETERMINING  
EQUITABLE GEOGRAPHIC REPRESENTATION OF STAFF. THIS CABLE  
PREVIEWS AND REQUESTS GUIDANCE ON THE ITEMS FOR WHICH  
DOCUMENTATION IS CURRENTLY AVAILABLE. END SUMMARY.

[1](#)3. THE 102ND SESSION OF THE FAO FINANCE COMMITTEE (FC)  
WILL MEET MAY 5-9. THIS CABLE PREVIEWS AND REQUESTS  
GUIDANCE ON THE ITEMS FOR WHICH DOCUMENTATION IS  
CURRENTLY AVAILABLE. GUIDANCE REQUIRED FOR CAPITAL  
BUDGETING (SEE PARA 14); SUMMARY PROGRAM OF WORK AND  
BUDGET (SEE PARA 19); SPLIT ASSESSMENT (SEE PARA 20) AND  
GEOGRAPHICAL REPRESENTATION OF STAFF (SEE PARA 26).  
SEPTTEL WILL COVER REMAINING ITEMS AND THE MAY 7 JOINT  
SESSION OF THE PROGRAM AND FINANCE COMMITTEES. ALL  
DOCUMENTS CITED ARE AVAILABLE ON THE FAO WEB SITE  
(WWW.FAO.ORG).

[1](#)4. ITEM 1 AND 2, ADOPTION OF AGENDA AND TIMETABLE,  
ELECTION OF VICE-CHAIRPERSON. FOR INFORMATION.

PART I, FINANCIAL AND BUDGET REPORTS  
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[1](#)5. AGENDA ITEM 3, ANNUAL REPORT ON BUDGETARY PERFORMANCE  
AND PROGRAM AND BUDGETARY TRANSFERS (DOCUMENT 102/3)

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BACKGROUND: THE FC REVIEWS THE REPORT ON BUDGETARY  
PERFORMANCE FOR 2002 TO ENSURE THAT THE DIRECTOR GENERAL  
HAS MANAGED THE APPROPRIATIONS SO AS TO ENSURE THAT  
ADEQUATE FUNDS ARE AVAILABLE TO MEET EXPENDITURES DURING  
THE BIENNIUM. TRANSFERS FROM ONE CHAPTER TO ANOTHER MUST  
BE APPROVED BY THE FC. THE 102ND SESSION WILL BE  
INFORMED OF THE LIKELY MAGNITUDE OF SUCH BUDGET  
TRANSFERS, BUT THE FORMAL REQUEST FOR TRANSFERS WILL NOT  
BE SUBMITTED UNTIL THE SEPTEMBER 2003 FC MEETING.

FOR DISCUSSION:

-- MANAGING APPROPRIATIONS: THE 2002 SPENDING REPRESENTS  
50.1 PERCENT OF THE USD 651.8 MILLION APPROPRIATION FOR  
2002-03. FULL UTILIZATION OF THE APPROPRIATION IS  
FORESEEN IN THE BIENNIUM.

-- TRANSFERS: THE FAO IS EXPERIENCING A SHARP DECLINE IN  
SUPPORT COST EARNINGS AS A RESULT OF THE CONTINUED  
REDUCTION IN NON-EMERGENCY EXTRA-BUDGETARY PROJECTS. THE  
SHORTFALL IS ESTIMATED AT USD 6.2 MILLION OVER THE  
BIENNIUM. TRANSFERS WILL BE NEEDED TO COVER FIXED STAFF  
COSTS PREVIOUSLY COVERED BY SUPPORT COST INCOME.

FODAG COMMENT: THE DOWNWARD TREND OF SUPPORT COST INCOME  
AND ITS BUDGETARY IMPLICATIONS REQUIRE GREATER MANAGEMENT  
ATTENTION.

[1](#)6. AGENDA ITEM 4, FAO INTERIM ACCOUNTS AT DECEMBER 31,  
2002 (DOC 102/4)

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BACKGROUND AND COMMENT: FOR INFORMATION ONLY

[1](#)7. AGENDA ITEM 5, REPORT ON INVESTMENTS (DOC 102/5)

BACKGROUND AND COMMENT: FOR INFORMATION. THE FAO  
INVESTMENT COMMITTEE MET IN JANUARY 2003 AND DECIDED TO

TERMINATE THE SERVICES OF THE LONG-TERM PORTFOLIO MANAGER, FIDUCIARY TRUST INTERNATIONAL BASED ON THE CONTINUING UNDERPERFORMANCE OF THE PORTFOLIO. THE FC WILL BE UPDATED ON THE STATUS OF THE TERMINATION OF THE CONTRACT AND THE NEW TEMPORARY ARRANGEMENTS FOR THE PORTFOLIO. IN ADDITION, THE FIRST RESULTS OF A DETAILED ASSET AND LIABILITY STUDY (REQUESTED IN MAY 2002) WILL BE PRESENTED.

**18. AGENDA ITEM 6, FINANCIAL HIGHLIGHTS (DOC 102/6)**

BACKGROUND: THE FINANCIAL HIGHLIGHTS REPORT SHOWS THE FINANCIAL SITUATION BY INCOME AND EXPENDITURE AND REPORTS ON ARREARS.

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ACTION IO-00

INFO	LOG-00	MFA-00	AID-00	AMAD-00	CIAE-00	INL-00	EAP-00
	EB-00	EUR-00	UTED-00	FDRE-01	FOE-00	TEDE-00	INR-00
	L-00	DCP-01	NSAE-00	OES-00	OIC-02	CAEX-00	PER-00
	IRM-00	SS-00	TEST-00	FMP-00	SAS-00	/004W	
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SUBJECT: FAO 102ND FINANCE COMMITTEE PREVIEW

FOR DISCUSSION:

-- TECHNICAL COOPERATION PROGRAM (TCP) AVAILABLE  
APPROPRIATION CONTINUES TO INCREASE, INDICATING LONGER  
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LAGS IN PROJECT EXECUTION.

-- LOSS OF 12.2 MILLION IN LONG-TERM INVESTMENTS. THE GAP BETWEEN THE VALUE OF LONG-TERM INVESTMENTS AND FAO'S SHARE OF STAFF-RELATED LIABILITIES HAS INCREASED.

-- AS OF DECEMBER 31, 2002, 43 MEMBERS HAD ARREARS SUFFICIENT TO JEOPARDIZE THEIR RIGHT TO VOTE. TOTAL ARREARS WERE USD 56.5 MILLION, OR 17.45 PERCENT OF THE CURRENT ASSESSMENTS. WHILE MORE MEMBERS HAVE PAID IN FULL, THE AMOUNT OF ARREARS (EXCLUDING U.S.) CONTINUES TO INCREASE SLIGHTLY COMPARED TO PREVIOUS YEARS.

OVERSIGHT MATTERS  
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**19. AGENDA ITEM 7, 2002 ANNUAL ACTIVITY REPORT OF THE OFFICE OF THE INSPECTOR GENERAL (DOC 102/7)**

BACKGROUND AND COMMENT: FOR INFORMATION, BUT OF PARTICULARLY INTEREST GIVEN CRITICAL REPORT OF THE EXTERNAL AUDITOR IN 2002. THE REPORT NOTES THAT THE EXTERNAL AUDITOR SPECIFICALLY RECOMMENDED THAT ANOTHER REVIEW OF THE INTERNAL CONTROLS OVER THE USE OF THE FAO'S RESOURCES SHOULD BE CONDUCTED. AN EXPERT CONSULTANT WAS CONTRACTED TO ASSIST IN DEVELOPING NEW RISK ASSESSMENT METHODOLOGY. (SEE ALSO FOLLOW-UP TO REPORT OF THE EXTERNAL AUDITOR). THIS DOCUMENT OTHERWISE PROVIDES A LISTING OF THE ACTIVITIES OF THE OFFICE OF THE INSPECTOR GENERAL. THE OIL-FOR-FOOD PROGRAM CONTINUES TO BE AN AREA OF MAJOR AUDIT ATTENTION AND A TOP PRIORITY FOR THE  
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ORGANIZATION. OTHER AUDITS CONDUCTED ON: FIELD OPERATIONS IN AFGHANISTAN, LETTERS OF AGREEMENT, AUTHOR'S CONTRACTS AND "TELEFOOD."

**110. AGENDA ITEM 8, PROGRESS REPORT ON IMPLEMENTATION OF THE EXTERNAL AUDITOR'S RECOMMENDATIONS (DOC 102/8)**

NOT YET AVAILABLE.

11. AGENDA ITEM 9, PROGRAM OF WORK OF THE EXTERNAL AUDITOR (DOC 102/9)

BACKGROUND AND COMMENT: THE EXTERNAL AUDITOR WILL EXAMINE FAO'S TECHNICAL COOPERATION PROGRAM. MISSION SUPPORTS THIS CHOICE.

12. AGENDA ITEM 10, APPOINTMENT OF THE INSPECTOR GENERAL (DOC 102/10)

NOT YET AVAILABLE.

13. UN JOINT INSPECTION UNIT (JIU) REPORTS (SEE WEB SITE).

BACKGROUND AND COMMENT: FOR INFORMATION. THE JIU REPORTS ARE ALSO MADE AVAILABLE TO COUNCIL FOR COMMENT.

### III. FINANCIAL POLICY MATTERS

14. AGENDA ITEM 12, CAPITAL BUDGETING (DOC 102/12)  
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BACKGROUND: THE FC AT ITS LAST SESSION REQUESTED FURTHER INFORMATION ON CAPITAL BUDGETING FOR FINANCING ONE-TIME CAPITAL ITEMS.

DEPARTMENT GUIDANCE REQUESTED ON PROPOSAL TO INTRODUCE A LIMITED FORM OF CAPITAL BUDGETING IN 2004-2005.

15. AGENDA ITEM 13, REVIEW OF PROJECT PROPOSAL TO CONFIRM COMPLIANCE WITH FAO'S MANDATE (DOC 102/13).

BACKGROUND: FOR INFORMATION. THE FC ASKED TO BE INFORMED OF THE MEANS FOR ENSURING THAT PROJECTS FUNDED FROM VOLUNTARY CONTRIBUTIONS MET THE ORGANIZATION'S CRITERIA FOR ACCEPTANCE OF SUCH CONTRIBUTIONS.

16. AGENDA ITEM 14, PROPOSAL TO ESTABLISH A SPECIAL FUND FOR EMERGENCY AND REHABILITATION ACTIVITIES (DOC 102/14)

BACKGROUND: THE DG MAY AUTHORIZE THE CREATION OF TRUST FUND ACCOUNTS ON HIS OWN AUTHORITY. THE PROPOSAL TO

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ACTION IO-00

INFO	LOG-00	MFA-00	AID-00	AMAD-00	CIAE-00	INL-00	EAP-00
	EB-00	EUR-00	UTED-00	FDRE-01	FOE-00	TEDE-00	INR-00
	L-00	DCP-01	NSAE-00	OES-00	OIC-02	CAEX-00	IRM-00
	SS-00	TEST-00	FMP-00	SAS-00	/004W		
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SUBJECT: FAO 102ND FINANCE COMMITTEE PREVIEW

CREATE A SPECIAL TRUST FUND FOR EMERGENCIES AND REHABILITATION ACTIVITIES IS PROVIDED FOR FC INFORMATION. THE TRUST FUND WOULD PROVIDE "SEED MONEY" TO RAPIDLY INITIATE EMERGENCY OPERATIONS AND PROVIDING ADVANCE  
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FUNDING WHEN A DONOR'S COMMITMENT HAS BEEN OBTAINED FOR PROCUREMENT OF INPUTS.

DISCUSSION:

- THE SPECIAL FUND WILL HAVE A TARGET LEVEL OF USD 2 MILLION AND BE UNDER THE AUTHORITY OF THE ASSISTANT

DIRECTOR GENERAL FOR TECHNICAL COOPERATION

-- THE FUNDING IS TO COME FROM, INTER ALIA, DIRECT CONTRIBUTIONS FROM DONORS; RETENTION/TRANSFER OF FUND BALANCES AS AUTHORIZED BY DONORS; TRANSFER OF A SHARE OF FUNDS FROM THE DIRECT OPERATING COST RECOVERY ACCOUNT.

17. AGENDA ITEM 15, INNOVATIVE MODELS FOR LEVERAGING RESOURCES IN SUPPORT OF THE FIELD PROGRAM (DOC 102/15)

DOCUMENT NOT YET AVAILABLE.

18. AGENDA ITEM 16, INFORMATION NOTE ON THE COST OF THE WORLD FOOD SUMMIT FIVE YEARS LATER.

DOCUMENT NOT YET AVAILABLE.

#### IV. BUDGETARY MATTERS

19. SUMMARY PROGRAM OF WORK AND BUDGET (SPWB) 2004-05 (DOC CL 124/3)

BACKGROUND: THE FC IS REQUESTED TO EXAMINE THE "FINANCIAL UNCLASSIFIED

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ASPECTS" OF THE SPWB, INCLUDING COST INCREASES, IMPACT OF EXCHANGE RATES, ETC.

#### DISCUSSION:

-- THE SPWB PROVIDES ZERO REAL GROWTH (ZRG) AND REAL GROWTH (RG) SCENARIOS.

-- THE ZRG BUDGET REPRESENTS A NET INCREASE OF 5.2 PERCENT OVER THE CURRENT ASSESSMENT.

-- THE RG BUDGET REPRESENTS A NET INCREASE OF 11 PERCENT OVER THE CURRENT ASSESSMENT.

-- THE SPWB NOTES THAT UNFUNDED LIABILITIES FOR AFTER SERVICE MEDICAL CARE, IF NOT ATTENDED TO SHORTLY "WILL HAVE A SEVERE DEBILITATING EFFECT ON THE FINANCES OF FAO IN COMING YEARS." FAO MEMBERS ARE ASKED TO ACCOMMODATE THIS BY INCREASING ASSESSED CONTRIBUTIONS BY AN ADDITIONAL USD 14.1 MILLION (A FURTHER 2.2 PERCENT.)

-- THE SPWB ALSO NOTES THAT, AT RECENT EXCHANGE RATES, THE BUDGET EXPRESSED IN USD WOULD BE APPROXIMATELY USD 56 MILLION MORE. HOWEVER, THE INTRODUCTION TO THE SPWB EXPRESSES THE DG'S EXPECTATION THAT THE FC WILL RESOLVE THIS QUESTION BY ADOPTING A SPLIT CURRENCY ASSESSMENT.

DEPARTMENT GUIDANCE REQUESTED ON FINANCIAL ASPECTS OF THE SPB, INCLUDING OVERALL BUDGET LEVEL.

20. SPLIT ASSESSMENTS (DOCS 102/18 AND 102/INF/18) UNCLASSIFIED

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BACKGROUND: THE FC HAS HAD THIS ITEM UNDER CONSIDERATION SINCE ITS 95TH SESSION IN 2000. FAO MANAGEMENT APPEARS TO BE CONVINCED THAT A SPLIT ASSESSMENT SCHEME IS THE BEST WAY TO MINIMIZE THE IMPACT OF EXCHANGE RATE EXPOSURE. THE FC WILL BE REQUESTED TO ENDORSE THE PROPOSALS TO IMPLEMENT SPLIT ASSESSMENT WITH A VIEW TO HAVING THE FAO BASIC TEXTS AMENDED AT THE NOVEMBER 2003 FAO CONFERENCE.

DEPARTMENT GUIDANCE REQUESTED.

21. AGENDA ITEM 19, SCALE OF CONTRIBUTIONS 2004-05 (DOC 102/19)

BACKGROUND AND COMMENT: FOR INFORMATION. AN ISSUE OF IMPORTANCE TO CERTAIN MIDDLE-INCOME COUNTRIES (REPUBLIC OF KOREA, CHINA, ARGENTINA) WHOSE ASSESSMENT INCREASED AS A RESULT OF THE NEW SCALE.

22. AGENDA ITEMS 20, 21, 22, BUDGET FOR THE EUROPEAN

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ACTION IO-00

INFO	LOG-00	MFA-00	AID-00	AMAD-00	CIAE-00	INL-00	EAP-00
	EB-00	EUR-00	UTED-00	FDRE-01	FOE-00	TEDE-00	INR-00
	L-00	DCP-01	NSAE-00	OES-00	OIC-02	CAEX-00	IRM-00
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SUBJECT: FAO 102ND FINANCE COMMITTEE PREVIEW

COMMISSION FOR CONTROL OF FOOD AND MOUTH DISEASE; FOR THE  
REGIONAL ANIMAL PRODUCTION AND HEALTH COMMISSION FOR ASIA  
AND THE PACIFIC; AND FOR THE DESERT LOCUST COMMISSION.  
(DOCS 102/20, 21, 22).

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BACKGROUND: FOR REVIEW AND COMMENT.

V. HUMAN RESOURCES MANAGEMENT

23. AGENDA ITEM 23, PROGRESS REPORT ON HUMAN RESOURCES  
MANAGEMENT (DOC 102/23)

BACKGROUND: FOR INFORMATION.

24. AGENDA ITEM 24, STATISTICS OF PERSONNEL SERVICES  
(DOC 102/24)

BACKGROUND: FOR INFORMATION. SOME SNAPSHOTS: BETWEEN 1994  
AND 2002 PROFESSIONAL STAFF REDUCED BY 26 PERCENT;  
GENERAL SERVICE BY 39 PERCENT. THE DECREASE IN PROJECT  
STAFF (71 PERCENT) REFLECTS SIGNIFICANT REDUCTION OF  
FIELD PROJECT OPERATIONS. AVERAGE AGE AND LENGTH OF  
SERVICE FOR (NON-SENIOR) P POSITIONS HAS REMAINED FAIRLY  
CONSTANT OVER THE LAST DECADE: 42 YEARS ON APPOINTMENT,  
52 YEARS ON SEPARATION. SEVENTY-NINE PERCENT OF FAO  
SENIOR STAFF AND 40 PERCENT OF FAO PROFESSIONAL STAFF  
WILL HAVE REACHED THE MANDATORY RETIREMENT AGE BY 2012.  
THE NUMBER OF WOMEN AT HEADQUARTERS HAS INCREASED FROM 21  
TO 29 PERCENT SINCE 1995. ABOUT 60 PERCENT OF FAO STAFF  
WORK AT HEADQUARTERS; THE REST ARE IN THE FIELD OFFICES.

25. ANNUAL REPORTS OF THE ICSC AND UN JOINT STAFF  
PENSION BOARD TO THE GENERAL ASSEMBLY AND SUMMARY OF THE  
DECISIONS TAKEN (DOC 102/25)

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BACKGROUND: FOR INFORMATION: UNGA-APPROVED CHANGES WHICH  
IMPACT SALARY SCALES, PENSIONABLE REMUNERATION. ALSO  
CHANGES TO GENERAL SERVICE AND OTHER LOCALLY RECRUITED  
CATEGORIES AND INCREASE IN EDUCATION GRANT.

VI. ORGANIZATIONAL MATTERS  
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26. AGENDA ITEM 26, METHODOLOGY FOR DETERMINATION OF  
EQUITABLE GEOGRAPHIC DISTRIBUTION (CL DOC 124/15)

BACKGROUND: INITIALLY A REQUEST BY THE LATIN AMERICAN  
GROUP AT THE LAST CONFERENCE TO EXAMINE OTHER  
METHODOLOGIES. THE FAO HAS NOW PREPARED TWO ALTERNATIVES  
FOR THE FC TO CONSIDER.

-- UNDER BOTH OPTIONS A BASE NUMBER OF POSTS (RATHER THAN  
THE POSTS FILLED AT ANY GIVEN TIME) WOULD BE USED FOR  
CALCULATIONS. (THIS IS SIMILAR WITH UN METHODOLOGY).

-- IN ADDITION, FAO PROPOSES TO INCREASE BY 341 THE  
NUMBER OF POSTS THAT WOULD BE COUNTED UNDER GEOGRAPHICAL  
DISTRIBUTION WHILE STILL EXCLUDING POSTS FUNDED FROM  
VOLUNTARY CONTRIBUTIONS, LANGUAGE STAFF AND THE DIRECTOR  
GENERAL. (COMMENT: IT IS UNCLEAR WHY THE POSTS WERE  
FORMERLY NOT COUNTED. END COMMENT)

-- THE "WEIGHTING" SYSTEM WHEREBY POINTS ARE GIVEN FOR  
HIGHER LEVEL POSITIONS WOULD BE ALTERED TO BE COMPARABLE  
WITH THAT OF THE UN AND UNESCO. THIS WOULD SIGNIFICANTLY  
REDUCE THE WEIGHT GIVEN TO HIGHER-RANKING POSITIONS (E.G.

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15 POINTS FOR THE DDG IN THE OLD SYSTEM WOULD BECOME ONLY

4.3 POINTS IN THE NEW SYSTEM).

COMMENT: THE FIRST OPTION INCREASES THE NUMBER OF "UNDERREPRESENTED COUNTRIES" SLIGHTLY. THE SECOND OPTION (WHICH FACTORS IN POPULATION SIZE) DRAMATICALLY REDUCES THE NUMBER OF "OVER-REPRESENTED" COUNTRIES. BOTH OPTIONS WOULD APPEAR TO BE DETRIMENTAL TO U.S. EFFORTS TO IMPROVE REPRESENTATION (WITH THE SECOND BEING ESPECIALLY SO, AS THE NUMBER OF OVERREPRESENTED COUNTRIES WOULD BE REDUCED FROM 77 TO 12), DESPITE THE FACT THAT THE NEW SYSTEM MIGHT ALSO MOVE THE U.S. CLOSER TO "EQUITABLE" REPRESENTATION.

GUIDANCE REQUESTED: USDEL CONSIDERS BOTH OPTIONS PROBLEMATIC FROM THE PERSPECTIVE OF U.S. REPRESENTATION.

27. AGENDA ITEM 27, PROGRESS REPORT ON THE ORACLE PROJECT (DOC 102/27)

BACKGROUND: FOR INFORMATION

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INFO	LOG-00	MFA-00	AID-00	AMAD-00	CIAE-00	INL-00	EAP-00
	EB-00	EUR-00	UTED-00	FDRE-01	FOE-00	TEDE-00	INR-00
	L-00	DCP-01	NSAE-00	OES-00	OIC-02	CAEX-00	IRM-00
	SS-00	TEST-00	FMP-00	SAS-00	/004W		
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VII. OTHER MATTERS

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28. WORKING METHODS OF FINANCE COMMITTEE, DATE AND PLACE OF 103RD SESSION, ANY OTHER MATTERS. TAMLYN

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